CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 13, 2005

H.R. 3100
East Asia Security Act of 2005

As reported by the House Committee on International Relations on July 12, 2005

H.R. 3100 would require the President to prepare annual reports identifying individuals or corporations from a member country of the European Union that export specified munitions or items that can be used with those munitions to the People's Republic of China. In addition, the bill would require the President to prepare annual reports identifying countries that work jointly with the United States on military research and development projects and allow exports of the same specified munitions to the People's Republic of China. The bill would require export licenses for the transfer or sale of defense articles or services when those articles and services would be either directly or indirectly under the control of China or other countries that sell the specified munitions to China. Finally, the bill would allow the President to revoke the export licenses of individuals who are identified in the reports listed above.

Based on information from the Department of State and an assessment of the complexity of the reports required under the bill, CBO estimates that preparing the reports and implementing the licensing requirements would cost about $1 million a year, assuming appropriation of the necessary funds.

Enactment of the provisions requiring export licenses could increase receipts if new individuals register for the required export licenses, but CBO estimates that any increase in receipts would be negligible because export licenses are required for most of the items mentioned in the bill under current law.

H.R. 3100 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

H.R. 3100 could impose private-sector mandates, as defined in UMRA, on foreign companies that are affiliated with or have an office in the United States. The President would be required to impose certain sanctions on foreign persons that the President has identified as having exported to China certain military or defense articles or technology. Among the sanctions available under the bill, the President could prohibit those foreign companies from:

- Participating in certain existing research and development programs,
- Owning or controlling a business that manufactures or exports defense articles,
- Participating in any foreign military or construction sales,
- Obtaining exporting licenses of certain items on the U.S. Munitions List, or
- Obtaining licenses of dual-use goods and technology.

The bill would, however, allow the President the discretion to make exceptions in applying such sanctions. In addition, under current law, the President has the authority to impose sanctions on such companies. While CBO cannot determine what specific sanctions the President may impose, if any, CBO expects that the incremental costs to such foreign companies compared to current law would fall below the annual threshold established by UMRA for private-sector mandates ($123 million in 2005, adjusted annually for inflation).

The CBO staff contacts for this estimate are Sam Papenfuss (for federal costs) and Paige Piper/Bach (for the private-sector impact). The estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.